

Message Text

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72

ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-04 USIA-15 PRS-01 DRC-01 /163 W

----- 116196

R 291658Z NOV 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8970

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS BONN 17217

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: BUNDESBANK INCREASES USE OF REDISCOUNT QUOTAS BY 15 PERCENT

REF: BONN 16901, BONN 14456

1. AT TODAY'S MEETING THE CENTRAL BANK COUNCIL OF THE BUNDESBANK DECIDED TO INCREASE, EFFECTIVE NOVEMBER 30, THE USE OF ANY INDIVIDUAL BANK'S REDISCOUNT QUOTA BY 15 PERCENT OF ITS CURRENT LEVEL. (ON OCTOBER 4, 1973, THE USE OF ANY INDIVIDUAL BANK'S REDISCOUNT QUOTA WAS REDUCED, DEPENDING UPON THE BANK'S CAPITALIZATION, TO 60, 55, OR 45 PERCENT OF ITS LEVEL OF FEBRUARY 7, 1973 (SEE BONN 14456). THE NOW DECIDED INCREASE APPLIES TO THESE REDUCED LEVELS). THE BUNDESBANK ESTIMATES THAT THE INCREASE RAISES THE REDISCOUNT VOLUME OF ALL BANKS BY DM 1.2 BILLION. THE CENTRAL BANK COUNCIL STATED THAT THE DECISION WAS MADE IN ORDER TO CONTRIBUTE TO THE BANKS' EFFORTS TO OFFSET THEIR LIQUIDITY LOSSES RESULTING FROM FOREIGN EXCHANGE OUTFLOWS.

2. IN A PRESS CONFERENCE AFTER THE MEETING, PRESIDENT KLASSEN SAID
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THAT MONETARY RESTRICTIONS SHOULD BE MAINTAINED, BUT NOT TIGHTENED

FURTHER WHICH WOULD HAVE RESULTED FROM THE FOREIGN EXCHANGE OUT-
FLOWS IF THE ABOVE MEASURES WAS NOT TAKEN. KLASSEN STATED THAT FOREIGN
EXCHANGE OUTFLOWS FOR NOVEMBER REACHED DM 2.6 BILLION AND CONSIDERED
IT POSSIBLE THAT THESE OUTFLOWS WOULD CONTINUE.

3. THE BUNDESBANK'S OFFER TO PURCHASE FROM BANKS BILLS ABOVE
THEIR NORMAL REDISCOUNT QUOTAS (AT AN INTEREST RATE OF 11 PERCENT
AND FOR A PERIOD OF 10 DAYS ONLY) AND TO GRANT SPECIAL LOMBARD
CREDITS TO BANKS AT AN INTEREST RATE OF 13 PERCENT (SEE BONN
16901) REMAINS IN EFFECT.
HILLENBRAND

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Disposition Event:
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EO Systematic Review
30 JUN 2005

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